

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JAN 10 1995

9-0

EXECUTIVE SECRETARY

January 3, 1995

To: Board of Directors (Water Problems Committee--Information)
(Executive Committee--Information)
(Finance & Insurance Committee--Information)

From: General Manager

Subject: Update on Orange County Investment Pool and Groundwater Storage Program

Report

In my letter to the General Managers of the Municipal Water District of Orange County (MWDOC) and the Orange County Water District (OCWD) dated December 22, 1994 (copy attached), I discussed the recent events and numerous contacts with Orange County water agency representatives centering on the bankruptcy filing of the Orange County Investment Pool. I further discussed the joint request of MWDOC and OCWD dated December 16, 1994, to convert recent replenishment deliveries to a Cooperative Storage Agreement. The financial situation appears to have stabilized and the associated urgency has moderated, but staff is continuing in its efforts to develop an Orange County groundwater storage program which is mutually beneficial.

Your Board authorized staff to negotiate long-term groundwater storage agreements (similar to North Las Posas and Semitropic) with Metropolitan's member agencies and related groundwater entities. In response to this authorization, staff has met with Orange County representatives on three occasions. At an October meeting, staff distributed two lists--one discussing Metropolitan's primary objectives for storage service agreements, and the second detailing contracting principles for a long-term groundwater storage agreement. Because of the December bankruptcy filing, another meeting was held on December 13, 1994, to discuss program principles submitted by Orange County representatives.

The latest meeting was held January 3, 1995, and due to the improvement in financial conditions, MWDOC and OCWD withdrew their joint request to convert recent replenishment deliveries into a Cooperative Storage Agreement, but reaffirmed their desire to develop a long-term groundwater storage program. At this meeting, staff distributed and discussed in detail a revised list of principles specifically directed at a long-term groundwater storage agreement in Orange County.

January 3, 1995

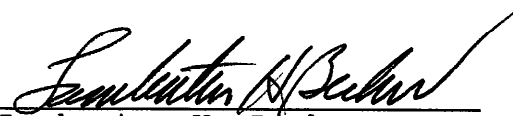
Although many details remain to be negotiated, both sides expressed an interest in bringing a program to your Board for action by June 1995.

Recommendation

For information only.

John R. Wodraska
General Manager

Submitted by:




Lambertus H. Becker
Acting Chief Financial
Officer



Debra C. Man
Chief of Planning
and Resources

Concur:



John R. Wodraska
General Manager

VM:cl

Attachment

41230



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Office of The General Manager

December 22, 1994

Mr. Stanley E. Sprague
General Manager
Municipal Water District
of Orange County
P O Box 20895
Fountain Valley, CA 92708

Mr. William R. Mills, Jr.
General Manager
Orange County Water District
P O Box 8300
Fountain Valley, CA 92728-8300

Dear Messrs. Sprague and Mills:

We are in receipt of your joint letter, dated December 16, 1994, which requested that Municipal Water District of Orange County's (MWDOC) long-term seasonal storage and Orange County Water District's (OCWD) direct replenishment purchases for October and November be converted into a Cooperative Storage Account as a means of retroactively alleviating financing constraints in Orange County. This request includes all purchases in October (11,742.8 acre-feet) and most of the purchases in November (13,257.2 acre-feet of the 16,383.9 acre-feet) for a total of 25,000 acre-feet.

This request apparently supersedes the OCWD proposal that was discussed at the December meeting of our Board. Both of these requested arrangements were prompted by the bankruptcy filing of the Orange County Investment Pool and the potential cash flow problems of your agencies, particularly OCWD.

On Monday, December 19, Federal Bankruptcy Judge Ryan approved the release of \$4.625 million to OCWD from the Investment Pool, and as a result, we were informed on December 21, that OCWD was making its December payment to

Messrs. Stanley E. Sprague and
William R. Mills, Jr.

-2-

December 22, 1994

MWDOC and, in turn, MWDOC would pay its MWD December bill in full. This is very good news and will certainly allay concerns in the financial community about the short-term conditions of your agencies. In addition, we have been informed that today Judge Ryan approved the release of no more than 30%, to a total of \$1 billion, of all funds held in the Pool by the participants. This translates to at least \$20 million for OCWD and should totally relieve any short-term cash flow problems OCWD may have been concerned about.

Based on these events, Mr. Sprague advised us on December 21, that you are modifying your request to include only the water delivered in November and that you still have an interest in a long-term groundwater storage agreement. Since this entire issue has surfaced, Metropolitan staff members have been in daily contact with representatives of either, or both, of your agencies. Metropolitan staff have also been working very hard at trying to develop approaches to a groundwater program that will be mutually beneficial to all parties. We would like to sit down and discuss these issues with you, in depth, and now that your financial situation has stabilized we can do that in a meaningful way to reach our common goals.

I understand that a meeting has been scheduled for January 3, 1995, and I can assure you we will meet as long and as often as necessary to reach a mutually satisfactory long-term accord.

Very truly yours,



John R. Wodraska
General Manager

LHB:lg
CoopStor